Weekly Economic Review

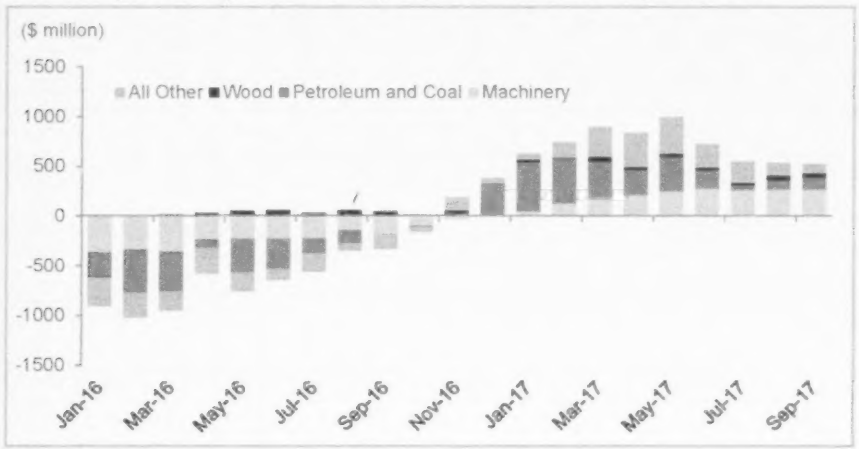
Growth in manufacturing shipments slows

Manufacturing Shipments

Shipments ease in the third quarter

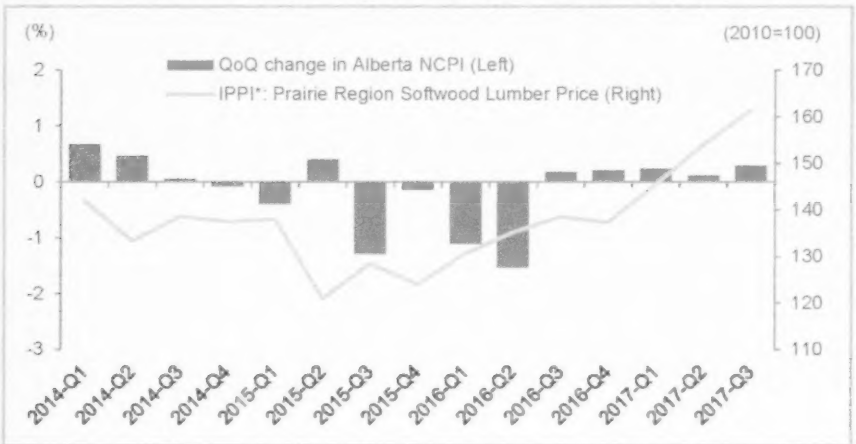
Alberta's manufacturing sector has given back some of the gains after a strong first half. The value of manufacturing shipments edged down 0.9% month-over-month (m/m) to $5.8 billion in September, the third monthly decline in the last four months.

Chart 1: Machinery, petroleum and coal, and wood products leading growth
Year-over-year change in seasonally adjusted manufacturing shipments



Source: Statistics Canada

Chart 2: Construction price index increasing with lumber prices
Quarter-over-quarter change in the NCPI and lumber price index



Source: Statistics Canada
* IPPI = Industrial product price index

Sales of non-durable goods fell as a drop in food products (-4.3% m/m), along with an ongoing decline in chemicals (-2.7% m/m), more than offset a pickup in petroleum and coal shipments (+4.0% m/m). Durable goods also fell as shipments of primary and fabricated metal products receded from their twenty-seven and twenty month highs in August. This overwhelmed strong gains in wood product shipments, which were buoyed by higher prices following supply outages caused by the BC wildfires in the summer. Even with the recent weakness, manufacturing shipments are up 9.9% year-over-year (y/y), led by ongoing gains in machinery, petroleum and coal, and wood products (Chart 1).

Non-Residential Construction Price Index

Contractors' prices on the rise

Construction costs in the province grew for a fifth consecutive quarter. In the third quarter of 2017, Alberta's non-residential construction price index (NCPI) rose 0.3% from the second quarter due to broad-based gains. This increase coincided with higher prices for lumber which was impacted by the forest fires in BC (Chart 2). Regionally, construction costs in Calgary continued to rise while costs in Edmonton increased (+0.4% quarter-over-quarter) after being stagnant for over the last year. Compared to the previous year, Alberta's NCPI grew 0.9% y/y with improvements in all categories.

Resale Housing

Activity retreats in October

Activity in Alberta's resale housing market cooled in October after reaching a five-month high. The number of seasonally adjusted home sales decreased 3.5% m/m to reach 4,509.

The pullback in sales activity was broad-based, with sales activity slowing in eight of the eleven regions. With a significant slowdown in sales, the months of inventory increased to 6.7, matching an eleven-month high set in July. Despite rising inventories, the province-wide market remained in balance, and average resale prices rose 1.2% m/m to $399,180 (Chart 3).

New Vehicle sales

Gains slow

The momentum in new vehicle sales is decelerating. While new vehicle sales continued to improve over last year's levels, the year-over-year gains have slowed since peaking in May. There were 22,770 units of new vehicles sold in September, up 2,034 more than a year ago. Year-to-date, new vehicle sales have increased 13%, with truck sales accounting for the entire gain.

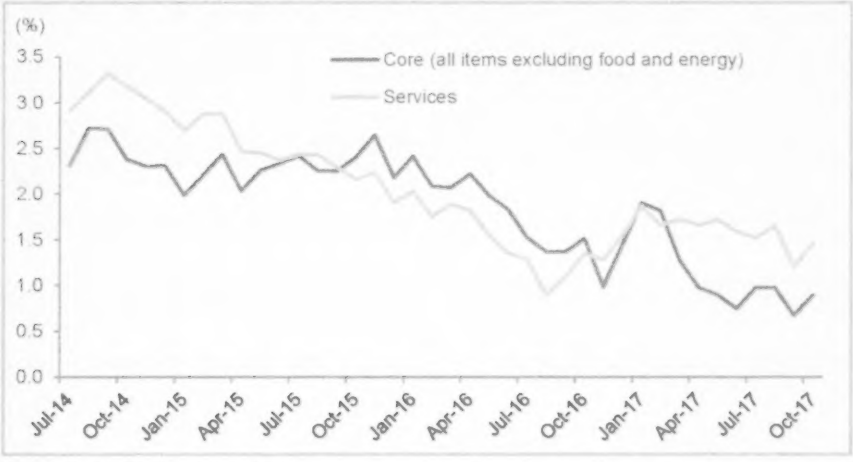
Chart 3: Prices stable while home sales pull back

Seasonally Adjusted home sales and average resale price

Source: The Canadian Real Estate Association (CREA)

Chart 4: Core and service inflation rebound

Year-over-year change in consumer price index



Source: Statistics Canada

Consumer Price Index

Inflation rate holds steady

Alberta's inflation rate remained subdued in October. After falling to a six-year low in September, core inflation, which excludes food and energy, rose 0.2 percentage points to 0.9% y/y (Chart 4). Prices paid for services accelerated as the cost of inter-city transportation and food purchased from restaurants rose while homeowners' replacement cost increased y/y for the first time since July 2015. Despite an uptick in core inflation, the annual change in the consumer price index (CPI) was unchanged at 1.3%. The increase in core inflation was offset by a deceleration in energy prices, with the year-over-year change in gasoline prices slowing to 5.6% y/y from 10.3% y/y in the previous month.

US Inflation

U.S. core inflation ticks up

After holding steady for five months, core inflation in the US picked up in October. US core inflation increased from 1.7% to 1.8% as service and shelter costs increased. Despite the higher core inflation, headline inflation ticked down 0.2 percentage points to 2.0%. The decline was mainly due to a drop in energy prices following the spike that occurred during the hurricane-induced outages. With headline inflation holding at 2% and core inflation rising, short-term interest rates have increased reflecting growing expectations of the US Federal Reserve hiking interest rates in December.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.